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TERMS OF REFERENCE: ESTIMATE OF THE CURRENT POLITICAL AND
ECONOMIC SITUATION IN EASTERN GERMANY

THE PROBLEM

To estimate the current political and economic situation in
Eastern Germany.

I. WHAT ARE THE POLITICAL STRENGTHS AND WEAKNESSES OF EAST GERMANY?

A. Is the government stable?

- (1) What degree of popular support does the government enjoy?
- (2) To what extent does it depend upon police methods?
- (3) To what extent does it depend upon Soviet support, direct or indirect?

B. Is the government loyal to the USSR?

- (1) What has been the significance of various changes since the establishment of the regime?
- (2) Are any of the present leaders likely to attempt to resist increasing Soviet pressure?
- (3) How firmly established is the control of the leadership over the membership of the Communist Party?
- (4) Would Germany's latent traditional national objectives ultimately bar realization of Soviet objectives in East Germany?

C. Is popular discontent likely to weaken the government or limit its flexibility in pursuing its own or Soviet objectives?

- (1) In what elements of the population is discontent centered?
- (2) Is it sufficient to prevent or hinder achievement of internal objectives of the government?
- (3) What steps are being taken to cope with this problem?
- (4) Would popular discontent be sufficient to prevent or deter participation in a military venture?
- (5) Have East German armed forces been politically conditioned to operate as a unified force?

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D. What effects do Allied presence and the freedom of West Berliners have on Soviet efforts to communize East Germany?

II. WHAT ARE THE ECONOMIC STRENGTHS AND WEAKNESSES OF EAST GERMANY?

A. What significant mutual antagonisms or conflicting economic interests exist within Eastern Germany?

B. Have Soviet efforts to integrate Eastern German economy into the Soviet orbit been successful?

C. What is the current status of the East Germany monetary system?

D. What is the capacity of the natural and human resources of the country for industrial development? What are the major limitations and bottlenecks in the development of the economy? How is it affected by the loss of manpower suffered during and since World War II? What economic effects may be expected if East German military strength is considerably expanded?

E. What proportion of the country's economic effort is devoted to:

- (1) Uncompensated deliveries to the USSR?
- (2) Military purposes?
- (3) Capital investment?

(This should be analysed in relation to the national budget, national income, and the allocation of labor, equipment, and materials.) What effect has this allocation of effort had upon the strength of the economy?

F. Which products now constitute, particularly valuable contributions to the requirements of the Soviet bloc, for peace or for war?

G. What are the present trends in living and working conditions? Have these conditions created serious popular dissatisfaction or unrest?

H. What is the geographical and commodity pattern of the country's foreign trade? Which import requirements for peace and for war can be procured from within the Soviet bloc? Which critical items must be obtained from non-Soviet bloc countries? How are these obtained?

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